

# FINDINGS ON URBAN AND RURAL PRO-POOR LED IN SOUTH AFRICA



*This Briefing is part of a series being produced as part of an LED Dissemination Project funded by CWCI – an EU-SA Partnership Programme. The views expressed in this document do not necessarily reflect the views of the European Union.*

## Abstract

This briefing reports on a study of pro-poor local economic development in 30 urban and 50 rural municipalities of South Africa. Very different conditions can be seen ranging from the small rural to large urban municipalities but examples of more-or-less success can be seen in all size groups. 56% of municipalities have LED units, similar in reporting urban and rural municipalities, but in rural areas this is often only one person. There is a common view that economic growth will by itself ensure poverty reduction, which is dangerous in a dualistic society such as South Africa. A wide range of LED instruments are being applied, but budgets are often small, with some notable exceptions such as Cape Town. 14 case studies were analysed in more depth, showing interesting examples of interventions ranging from the Fashion District in Johannesburg, to tourism based development in Creighton, Kwazulu-Natal. Impacts on jobs, growth and reduction of poverty at this stage appear limited, and there would appear to room for considerable learning across areas to use best practice. However investment in growth as opposed to social consumption will need to rise, and it is important to recognise that there are direct methods for promoting pro-poor growth, and not to assume that all that can be done for poor people is provision of basic services.

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### Policy implications

- (i) It is essential that municipalities do not just **conflate economic growth and poverty** objectives. Trickle-down of wealth is not significant, and specific activities are needed to promote pro-poor growth (eg see Table 1). Concentrating support for the poor on basic services will not create economic livelihoods, and may continue to foster a dependency on the state. Thus it is important to address growth of the formal First Economy, but also to target specifically the small-scale and informal Second Economy, and the case studies have indicated some means of doing so. **Policy can explicitly target pro-poor development, either directly or indirectly, through the encouragement of appropriate market interventions.**
- (ii) There is a need to arrive at an acceptable series of **definitions** of just what is meant by key terms such as: LED, pro-poor LED, pro-growth LED and pro-poor growth/inclusive LED. **Pro-poor growth should include increasing growth linked with reducing poverty and decreasing inequality.** Given the lack of consensus about these terms nationally and internationally, consensus is clearly needed.
- (iii) It is essential to recognise the fundamental importance of the small/**informal sector** economy and to support its development as far as is possible which specifically favours SMMEs, CBOs and BEE companies. Much of this is potentially available in South Africa.
- (iv) Having a policy in place does not guarantee that there will be pro-poor outcomes. There are real applied constraints on local governments, notably on implementation capacity which impact on the ability to implement change. Municipalities must be encouraged to devote **realistic budgets and staff** to LED Units, and LED services if results are to be attained. Pro-poor LED services and projects also need to be adequately financed. The current bias in favour of pro-growth economic activities and pro-poor spending on basic needs will, in many cases, not have significant pro-poor economic impacts. Developmentally, interventions need to be accepted as **part of all municipal functions** in practice and policy. LED officials also need to conceptualise the broader range of interventions which impact on poverty as being part of LED.
- (v) There is still far too much **competition** between levels of government including local and district municipalities, and between these municipalities and provinces. There is inadequate involvement of the private sector, with severe implications in terms of duplication and lack of synergy. **Partnership** formation/growth coalitions need to be encouraged strongly. The private and NGO sector in particular, where they exist in significant strength, need to be encouraged to contribute more meaningfully to local development, either through corporate social responsibility or coalition formation. They should be supported and encouraged to engage in collaborative and independent action.
- (vi) It is critical that local governments initiate defined **monitoring and evaluation** programmes to gauge the success of their initiatives.



### Introduction



In order to promote economic development it is increasingly being recognised that micro-economic measures at the local level are needed as well as macro-economic measures at the national level. This briefing summarises the findings from a study on urban and rural pro-poor LED in South Africa, funded by the World Bank/Dutch Government and Development Bank of Southern Africa (DBSA), and implemented by Rhodes University, the African Institute for Community-Driven Development (Khanya-aicdd), University of the Witwatersrand, University of Kwazulu-Natal. The study was overseen by a reference group including the SA Cities Network (SACN), South African Local Government Association (SALGA),

National Treasury, Local Government Sector Training Authority (LGSETA) and Mangaung Local Municipality<sup>1</sup>.

The research process involved an overview of existing research (meta analysis) in relation to pro-poor LED; an overview of the current legal and policy context in the country; a survey of approaches to pro-poor LED in the 30 largest municipalities plus 50 smaller rural local and district municipalities. Eight urban case studies plus six rural/small town case studies were covered, which were validated in two workshops for the urban study and then for the rural study. The case-studies chosen were selected on the basis of interesting LED work.

<sup>1</sup> The Bloemfontein office of the HSRC was a partner, but due to other commitments had to withdraw.



## Background to LED in South Africa



South Africa has the largest economy in Africa, but suffers from a highly **dualistic economy**, often characterised as the formal (First) and informal (Second) economy. Under apartheid spatial planning, heavy emphasis was given to top-down regional policy interventions which were centred upon promoting industrial decentralization in the country's peripheral Homelands or Bantustan regions (Rogerson, 1994). LED planning was undeveloped and confined largely to a scatter of small initiatives for 'place marketing' designed to attract inward investment. However, in post-apartheid South Africa, LED has gained considerable prominence in development planning.

Government has a neo-liberal macro-economic agenda, and is seeking market-driven economic expansion and growth, facilitating market expansion, with local government having a key role to play in stimulating economic development through investment in infrastructure to 'crowd in private investment and boost short-term economic performance' (RSA, 1996b, p.7). Considerable emphasis is being placed on '**developmental local government**', increasing the role of government and particularly local government agencies in promoting growth and development, thus entrenching an essentially pro-poor policy focus. The government argues that 'the central responsibility of municipalities (is) to work together with local communities to find sustainable ways to meet their needs and improve the quality of their lives' (RSA, 1998a, p.17).

The mainstream of LED planning in South Africa is dominated by market-led activities that are geared towards achieving sustainable high economic growth rates (Nel and Rogerson, 2005). Several variants of "place entrepreneurialism" can be identified with the most important relating to promoting localities as **competitive spaces for production, consumption and information-processing activities** (Rogerson, 2000). The IDPs and broader restructuring plans of major centres highlight the issue of 'positioning the city in the global economy' (see Hall and Robbins, 2002; Nel et al, 2003). Commonly, this has been associated with **sectoral targeting** or "picking a number of winning sectors or sub-sectors that the municipality believes, through targeted support, may become their city's competitive advantage in the global economy" (SACN, 2004). Other strategies include skills development, enhancing institutional efficiency and the

efficiency of the urban form, improving safety and security, and Business Improvement Districts.

Whilst a significant policy and legal basis for pro-poor LED has clearly been laid in South Africa, there is still no formally approved **LED policy**. The 2002 version had a defined pro-poor focus (it was called 'Refocusing Development on the Poor'). It argued a case for promoting 'pro-poor' LED which would explicitly target low income communities and the marginalised as the policy focus of government policy. At least six "developmental" LED strategies are suggested for support, namely: community-based economic development; linkage; human capital development; infrastructure and municipal services; leak plugging in the local economy; and, retaining and expanding local economic activity. Three critical policy areas are those which relate to improving regulatory frameworks, municipal services delivery, and issues of employment creation through the stimulation of local economic activities.

In 2005 a new document was released entitled 'Policy Guidelines for Implementing Local Economic Development in South Africa', which aligns LED with a range of government programmes as well as provincial strategies and local IDPs. LED is clearly seen as a key mechanism to help in closing the gap between the first and the second economies.

In addition to the laws and policies directly supporting and encouraging pro-poor LED, other instruments provide support for implementation. These include the **Integrated Development Planning (IDP)** process which requires an economic and spatial development component, promotion of community participation and appropriate institutional and funding mechanisms. A range of financing mechanisms have been established across Government including a LED Fund, Municipal Infrastructure Grant, Integrated Sustainable Rural Development Programme and the Urban Renewal Programme.

Overall whilst the country lacks an embracing LED policy document and many of the above-mentioned interventions are not specifically named as 'pro-poor' strategies, what it does have in place are an impressive range of laws, policies and funding mechanisms which though perhaps not always totally successful in job creation etc., have created a very defined framework for pro-poor LED intervention and support.



## South African research on LED



Some of the more obvious issues emerging from the literature include:

- ▶ differing views held between government departments as to whether LED should have a pro-poor or a pro-market focus;
- ▶ municipalities often place much emphasis on improving growth and employment prospects in their planning documents but not integrating this into resource allocation and day to day activities; LED is sometimes perceived as marginal to the mainstream basic services delivery mandate of local government, where pro-poor approaches can be taken as providing free basic services, rather than an active pro-poor LED approach;
- ▶ a legacy of support for unsustainable, low skilled community projects which has negatively impacted on perceptions of the efficacy of LED. Even in the case of flagship projects such as developing rural nodes, results do not always live up to expectations;
- ▶ only limited private sector involvement in poverty relief projects;
- ▶ the devolution of significant and real power to effect

LED to local municipalities which often lack the skills and capacity to effect change and the funds to run LED offices, pay for training or to finance projects, creating what is locally known as an 'unfunded mandate';

- ▶ real economic growth is being noted in pro-market supported ventures eg convention centres, place marketing etc. The challenge is to try and ensure that there are genuine pro-poor employment and development spin-offs from such activities.

These issues have led to a situation referred to by Rogerson as one in which 'the most distinguishing feature of South African Local Economic Development policy is the new emphasis on a strong pro-poor focus in rhetoric, albeit if not always in practice' (Rogerson, 2000, p408). This shows an essential dichotomy between sophisticated pro-poor policy on the one hand and very real operational difficulties on the other and a tendency in many local governments to rely on pro-growth initiatives in which the private sector are more likely to participate, and which often have high visibility and so are attractive to politicians.



## Application of pro-poor LED by major urban local governments



Economic development is **perceived** very differently by the various municipalities ranging from building 'a globally competitive region so that all communities can benefit from economic growth' (eThekweni) to more modest goals, eg 'poverty alleviation through job creation' (Moghaka/Kroonstad). Most rural municipalities (92%) define LED as multifaceted including poverty relief or the promotion of economic growth. 66% of urban municipalities see no distinction between addressing poverty and promoting economic growth. This is an aspect of concern as economic growth per se is not sufficient to address poverty, notably where there is persistent and widespread inequality as is the case in South Africa.

In terms of mechanisms for **implementing** LED, 56% of both urban and rural municipalities report having a dedicated **LED Unit/Department** and 82% of rural municipalities have an LED Officer.

In terms of their **economic development focus** LED features to some degree in all municipal IDPs but only 48% of rural municipalities have developed a defined LED policy. **Common themes** included: job creation; skills development; world class city; sectoral targeting; investment attraction; inner city redevelopment; infrastructural development. The range of LED **interventions** include:

- ▶ development of a **Economic Development Strategy**, often as part of the IDP;

- ▶ **grants/rebates** to attract new investors;
- ▶ **area-based support**, mainly for larger firms while non-financial support for inward investment includes information provision, lobbying of business, investment facilitation and technical support (13 municipalities);
- ▶ **infrastructure** and **industrial and commercial sites**;
- ▶ **supporting SMMEs**, including preferential procurement, SMME support centres/business incubators, support for the **informal sector**;
- ▶ support for **sectors/clusters**;
- ▶ **support for the poorest** sections of the community including skills training, local area support, housing support, advisory services, procurement and public works;
- ▶ **research or information** activities, eg a database of economic trends, sector information and relevant information;
- ▶ support for **export and marketing**.

In rural municipalities LED is more embedded in district than local municipalities. While LED officers and/or LED Units have often been appointed, the absence of guiding policy, direct political links and weak institutional support systems is not ideal.

## **Case Studies**

Seven urban and seven rural case studies were undertaken, ranging from metros to smaller urban centres. Due to the complexity of the programmes of the large cities, most cases studies focused on one or two LED interventions or approaches in the municipal area. We focus here on a few of these.

### Metros

- (i) From an economic perspective **Johannesburg** is the most important city in sub-Saharan Africa. The municipal policy is overtly pro-growth in focus, albeit that it clearly makes allowances for support measures which directly or indirectly will facilitate economic growth in the poorer sections of the community. Johannesburg probably has the most sophisticated policy framework of any city in South Africa. While the city has poorly developed mechanisms to respond to poverty, positive moves in this direction are being made. The Johannesburg Fashion District initiative is examined as an example of a catalytic project which has significantly pro-poor growth implications. The initiative has involved some 1000 clothing micro-manufacturers and has encouraged a focus on niche markets, outsourcing and integration of migrant workers.
- (ii) **eThekweni** has a long-established track record in the area of economic development, starting in the 1980s and is recognised as one of the most efficient and effective metropolises in the country. While overall industrial growth has been slow and sectors such as textile and clothing have been negatively affected by cheap imports, general economic growth and job creation is taking place, particularly in the tertiary sector and in export-focused industries. Despite this, unemployment is growing as a result of the challenge of rapid urbanization. LED policy in the city has evolved through a series of key phases. The 1996 Green Paper on Economic Development focused on providing services to the poor, while the 2000 Long Term Development Framework adopted a linked three-fold focus on economic growth, skills development and meeting basic needs. Key pro-poor interventions are in areas such as small business support, community tourism, providing township business centres, markets and urban agriculture. Well known projects include the key Warwick Junction project and the Regeneration Fund. However in terms of funding only about 15-20% of the capital budget is allocated to pro-poor issues and there is a reliance on national government rather than local funds for pro-poor projects.
- (iii) **Cape Town** is experiencing rapid population growth, combined with entrenched poverty and significant environmental challenges. There is significant growth

in the tertiary sector, particularly in terms of business services and tourism. Manufacturing has been affected by its traditional reliance on textiles and clothing which are vulnerable to cheap foreign imports. Addressing poverty and ensuring sound environmental management are explicitly linked in this city and feature prominently in pro-poor interventions. Economic development policy emphasises issues such as service subsidies for the poor, local area implementation of community-based economic development, linking poverty reduction and growth, trying to address the multi-dimensional nature of poverty and the need to mainstream and institutionalise anti-poverty issues. The case study provides evidence of two explicit pro-poor interventions:

- **Community Based Waste Management System**, disposing of 20% of the city's refuse, based on a partnership between the city, NGO, private business and the government. Services have improved, skills been imparted, small businesses supported and the local environment improved in a cost-effective manner. On the negative side, community expectations have not always been realised, and there is union opposition;
- **Ukuvuku – Operation Firestart** - removing alien vegetation on Table Mountain using a public works approach and community contractors. Some 5000 ha were cleared and 334 people employed. However the project suffered from the absence of an institutional base, high expenses, poor planning and training, and was not renewed.

### Secondary cities

- (iv) The city of **Umhlatuze** is one of the country's key ports and industrial nodes, and incorporates Richards Bay and Empangeni. While the city has a strong pro-growth orientation, the District Municipality (DM) and large firms are engaged in various support programmes with clear pro-poor implications. Some interesting lessons include: evidence that corporate interventions, individually and collectively, can have a key impact on poor communities; that strong DMs can play a significant role in seeking to address economic imbalances, even where there is a strong local municipality within the district<sup>2</sup>; and that a Joint Development Forum can be a useful intervention, which can lay a basis for a growth coalition.

### Rural/small towns

- (v) The case study of **urban-rural links in Motheo District** demonstrated the extensive movement of people, goods and services between the city of Bloemfontein, the apartheid-created dormitory town

2 Often where there is a strong local municipality within what may be a weaker district, eg Mangaung within Motheo District, there is a lot of competition between local and district, and the district's role can be difficult.

of Botshabelo, Thaba Nchu, Ladybrand, some smaller towns, a large rural area and Lesotho, with over 260 000 people commuting up to 200km per day to and from work, spending up to 4 hours travelling per day which can cost 18% or more of their income. This demonstrates the importance of development in the smaller towns of adequate infrastructure and economic opportunities to ensure growth, otherwise people will continue to flood into urban areas, putting additional pressure on urban services, and leading to a spiral of decay in the small towns. Innovation in services eg the extension of access to cell phone coverage and the provision of mini-ATM machines provide examples of how it is possible to provide services in a rural (more costly) environment.

- (vi) **Alicedale** is a declining former railway town where unemployment levels reached 90%+. A public-private partnership has led to the establishment of a hotel complex which has had significant economic and social spin-offs in the local economy creating 500 permanent and temporary jobs, and indicates that small towns can undertake fundamental economic renewal. It demonstrates that a private sector led initiative (with buy-in by other partners) and a meaningful public-private partnership can revive a flagging small town economy provided that there are marketable business opportunities in place. It also shows the need to work within the market and to engage in viable profit-orientated activities, and the potential of encouraging spin-off activities and so a package of interventions. The private sector's vision, drive and ability to operate at speed have been critical to significant local-level development and employment.

However government (at various levels) can support development through facilitation, funds and infrastructure provision.

- (vii) **Wuppertal** is a case of a small mission community in the Cedarberg mountains in the Western Cape with an unemployment rate of around 75-80% and considerable outmigration for employment. The active support of an NGO enabled the identification of rooibos tea as a niche market product which has been developed as a commercial crop with 170 farmers now growing rooibos and many more employed on the farms and at the tea-court.
- (viii) **Sodwana Bay** is a case of a rural coastal area in KwaZulu-Natal with a rich ecological resource along the coast. Significant economic growth has taken place with the creation of 404 permanent and 233 casual jobs and 296 people benefit from the coral diving industry alone. This is not so much a result of a defined plan, but rather through spontaneous tourism-driven expansion of dive tourism, an example of niche tourism through private sector activities based on the ecological richness. This has had important BEE and community spin-offs. A community levy paid by visitors, has improved local community facilities. The study indicates shows how institutional complexity complicates developmental processes, with a range of Park and government agencies responsible for development. Barriers to development include crime, low skills levels and poor infrastructure. Positive local spin-offs can result from: 'buy-local' campaigns, local employment policies and forming partnerships with communities.

### LED Impacts

Only five of the urban case studies reported on impacts on **growth** in their local economy, although interviews suggest that even in the smaller centres some growth is taking place. The figures reflect all forms of growth and not just LED-related effects. Whilst the data is interesting, it masks national trends of capital intensification and hence what is often job loss not gain. Reported figures range from Ekurhuleni showing 1% growth p.a. between 1996-2003 to Johannesburg indicating 4.2% growth between 1996-2002. A more optimistic picture can be seen from some of the more local case studies. Only 50% of rural municipalities reported creating more than 100

jobs however the rural case studies show examples of much higher levels of impacts, with up to 500-700 jobs being created.

Few of the municipalities appear to have **poverty reduction targets** in place and poverty impacts of LED interventions are little understood and recognised with the possible exception of Cape Town. Mangaung has both an economic growth and poverty reduction target, the latter to reduce from 40-35% the proportion of the population living in poverty. Several indicate that poverty is increasing which is worrying.



## Emerging lessons for pro-poor LED in South Africa



There are distinctions between the **metropolitan areas** with their diverse range of activities, relatively large budgets and staff complements, and their engagement in what are often large-scale interventions with significant impacts, eg the Fashion District or Warwick Junction. **Secondary cities** show a narrower range of activities, but there are significant budgets and staff complements. However **small/rural centres**, are impoverished in terms of resources and LED activities are often most discernable at the level of the small project. In these cases an NGO or the private sector may be the key driver of LED. There are also differences in terms of the **focus** of LED between:

- (i) Those in which pro-poor interventions are weaker or secondary to **pro-growth or competitiveness enhancement** (eg Johannesburg and the majority of the case-studies investigated);
- (ii) Those in which **pro-poor interventions** are seen as the dominant LED focus (as in Ingwe, Ekurhuleni);
- (iii) Those in which there exists a local growth path which simultaneously achieves **both pro-growth and pro-poor interventions** (as in Mangaung, Cape Town).

In general there is widespread acknowledgement on the part of local governments regarding both their **developmental responsibilities and the urgency of addressing poverty**. Whilst many of the selected case-studies examined are genuinely interesting, practical and significant cases of pro-poor LED, it seems that results are patchy in many instances across the country and often very little has been achieved on the ground. In only two of the seven rural case studies are **local governments** making a major contribution to LED (Creighton and Mangaung). Reasons for limited success seem most obviously related to capacity and funding constraints, as well as issues such as poor market research, limited collaboration with other stakeholders and the reality that many projects are not economically sustainable. Clearly there is a need for a broader vision/understanding of development and what interventions impact on poverty to enable a more coherent and integrated response across the municipalities.

Local government can variously adopt a **pro-growth or a pro-poor focus**, or some combination of these. There is entrenched policy support for pro-poor development – often being the primary focus of municipal vision/mission statements. Two thirds (66%) of responding larger municipalities saw no distinction between pro-poor and economic growth agendas (while 92% of the smaller/rural municipalities saw the two as linked). In many of the cities whilst there is commitment to pro-poor develop-

ment, in reality it is often secondary so that the major directions and weight of LED policy and interventions are geared to the promotion of economic growth. Most municipalities assume that such support will help to alleviate poverty and unemployment, despite international evidence that trickle-down approaches from large pro-growth investments are very limited. Given the dual challenges faced by South African society of needing to both address chronic poverty, yet also to achieve economic growth and global competitiveness, from a policy perspective it would seem that the approach adopted by Mangaung, Cape Town and eThekweni may be the most appropriate. It is important to note that nearly half of the smaller/rural centres have yet to establish LED policies.

A wide range of **interventions** to support LED are used across the sample towns and cities. However many individual municipalities appear to use a very limited range of interventions, with the metros generally having the most diverse range of measures. This ranges from smaller centres such as Alicedale and Ndlambe using one or two interventions to eThekweni, with a wide portfolio. The most significant **government programmes** include public procurement, urban renewal, SMME programmes including agricultural support and public works.

Mangaung and eThekweni have recognised that the majority of the population are engaged in the **informal economy** and have made attempts to provide appropriate support. There is also evidence that pro-poor **community-based initiatives** can help disadvantaged community members to effectively participate in the market economy if market linked, providing a viable product and operating in an economically effective fashion eg in Wuppertal and in Durban's Warwick Junction.

Institutionally, a **LED unit** is used as the major vehicle for LED operations in 56% of the larger and the rural municipalities, while the capacity, staffing and resourcing of units is very variable. In the rural areas LED is often the domain of a single official (82% of cases) which severely handicaps the capacity to bring about change on the ground. Only 12% of rural municipalities report having a councillor for LED. 18% of rural municipalities surveyed have established a development agency.

The **compartmentalization** of economic development seems to be a significant problem, with limited buy-in from other line-function municipal departments. This impedes the scale and impact of council LED policies and results in the frequent failure to link line-function interventions or national government-funded projects explicitly into LED eg housing construction and infrastructure, where the LED implications of their actions may not be seen.

The limited nature of meaningful **partnerships** both public-private, public-public, with communities and with NGOs is a cause for concern. There are positive examples in both the cities (eg Cape Town's Inner City Partnership) and in smaller centres such as Creighton. 75% of urban but only 46% of rural municipalities have links with local Chambers of Commerce. There is considerable evidence of the impact of direct **private sector** intervention such as in Umhlatuze, Alicedale, Sodwana, or Magaliesburg Meander which is not being adequately harnessed elsewhere. However, there seem to be relatively few cases of direct collaboration with the private sector in joint projects. In terms of **communities**, community-based economic development requires participatory identification of strengths and opportunities at local level, and fostering of community energy and commitment to take forward their own development. This appears weak and top-down approaches seem much more common. It is apparent that reasons for establishing partnerships need to be more clearly articulated and advocated and the concept needs more explicit mention in IDPs.

Smaller urban centres are only able to allocate very limited **budgets** to LED Units (eg R100 000 in Umhlatuze), while the larger cities can budget millions (eg over R51 million budgeted for 2003-4 in Cape Town). This picture is replicated in terms of capital spend (eg R75 000 in Thoyandou and R49 million in Cape Town), as well as on operational budgets for operational structures such as business centres etc. In the rural areas only 20% of rural municipalities surveyed are spending more than 25% of their IDP budget on LED. However, the case studies show that even where municipalities have limited resources, as in Ingwe, they can play a key role in promoting economic development.

Generally **monitoring & evaluation** is poorly developed and a parallel report has reviewed lessons emerging re M&E (Goldman and Henson, 2005). Cost and time considerations are generally advanced as explanations. The absence of effective mechanisms to gauge success, ascertain impact and cost-effectiveness and by implication, to exercise a determining influence over future programmes is startling.

### **Implications for policy and practice**

Overall, the preliminary findings of this survey serve to confirm and reinforce a number of key features concerning the current 'state of the art' of LED policy and practice in urban areas of South Africa. Some key points are:

- ▶ LED is unevenly developed and implemented across the South African urban system;
- ▶ Major divides exist between the largest, most well-resourced/capacitated municipalities and the smaller urban centres in terms of policy development, institutionalisation of LED and applied practice. This is even true for some of the larger secondary cities;
- ▶ The definition and understanding of LED exhibits considerable variation, reflecting the absence of national LED guidelines, and the short time with which municipalities have been actively taking forward LED approaches. However municipalities' understanding of LED has evolved from what was often a focus on poverty relief projects to a more comprehensive understanding that economic growth and poverty relief projects and programmes can be linked;
- ▶ While most local authorities appreciate the importance of LED and have assigned staff to implement LED, in many local authorities local LED policy has yet to be developed and LED doesn't always enjoy direct support at council level;

- ▶ In all cases partnerships are critical, either between private and public sectors (eg Creighton), between private sector operators (Magaliesburg Meander), or between NGO and community (Wuppertal). While there are exceptions, especially in the cities, interactions with the private sector and other stakeholders are limited and no doubt a constraint on the potential of LED. Non-local government stakeholders can lead and play a critical role in LED – as shown by the Alicedale and Sodwana examples, or tourism operators in Senqu. There is considerable variation in the budget and staff devoted to LED,
- ▶ The near-absence of the use and application of monitoring and evaluation methods is cause for concern. The smaller rural municipalities in particular suffer from the greatest constraints.

From the case studies it would appear that successful interventions would appear to be related to:

- ▶ identifying and responding to real market niches;
- ▶ effective collaboration with multiple stakeholders;
- ▶ having a focus on economically sustainability;
- ▶ having strong leadership and direction;
- ▶ significant resource and capacity inputs being provided, often leveraged through the partnerships established;

In terms of pro-poor outcomes, successful interventions are, in addition, related to:

- ▶ being based on clearly focused pro-poor outcomes, which affect the way the intervention is designed;
- ▶ having community buy-in.

The trap must be avoided of LED debates getting bogged down in terms of a search for a balance between programmes that promote growth and competitiveness on

the one hand as opposed to poverty reduction on the other hand (Marriot, 2004). In terms of moving forward, the debate should seek to address the difficult question of how South African municipalities – collectively and/or individually – can achieve a growth path or trajectory which operates to achieve **simultaneously the goals of enhanced competitiveness on the one hand and of poverty reduction** on the other.

**Possible interventions to support pro-poor growth**

The current trade-off of economic investment in the formal sector, and pro-poor investment in basic services, is not likely to yield the improved livelihoods in the informal sector which will transform the lives of the poor. Indeed in some respects other countries of Africa, while poorer, have a better balance in these, promoting greater self-reliance, and lesser dependency of the poor. Despite the overtly significant legal and policy context and the significant resources of the larger cities and the private sector, the experience of over ten years of applied LED in South Africa indicates that applying pro-poor LED is possible,

but difficult. Within South Africa both clearer policy direction and greater financial and capacity investment are required before more meaningful results can be attained.

In learning from the range of experience in South Africa, Table 1 suggests some of the possible interventions which can be applied specifically to target pro-poor growth. These can be incorporated into plans (eg the IDP and Economic Development Strategy), policies (eg for support to the informal sector), and services (eg business development support).

**Table 1 Examples of pro-poor interventions that can be applied**

Interventions	Examples of pro-poor applications
<b>Economic Development Strategy</b>	<ul style="list-style-type: none"> <li>• Can incorporate the elements in the table below</li> <li>• Should include interventions across the whole spectrum of municipal operations, not just in an economic development unit</li> </ul>
<b>Improving the local business climate</b>	<ul style="list-style-type: none"> <li>• Creation of zones where combined residential and small business use are permitted</li> <li>• Review of procurement procedures to permit informal businesses to access municipal contracts</li> </ul>
<b>Grants/rebates to attract inward investment</b>	<ul style="list-style-type: none"> <li>• Subsidised training and skills development of disadvantaged employees of investors</li> </ul>
<b>Non-financial support for inward investment</b>	<ul style="list-style-type: none"> <li>• Provision of land, planning rights if employ certain numbers of disadvantaged employees of investors</li> <li>• Support to investors to use their corporate social investment fund in ways relevant to disadvantaged people/informal economy.</li> </ul>
<b>Investment in infrastructure and infrastructure-related services</b>	<ul style="list-style-type: none"> <li>• Provision of incubators</li> <li>• Provision of market stands for informal traders</li> <li>• Creation of produce markets</li> <li>• Creation of input supply depots for farmers</li> <li>• Construction of access roads</li> <li>• Contracts for community-based or SMME construction and maintenance</li> <li>• Support for specific infrastructure to support projects, eg the railway station in Creighton</li> <li>• Planning suitable infrastructure for service delivery in rural areas, eg cellphone payment of electricity bills</li> <li>• Indigent policy to support access of poor people to services</li> </ul>

Interventions	Examples of pro-poor applications
<b>Investment in industrial/ commercial sites</b>	<ul style="list-style-type: none"> <li>• Provision of incubators</li> </ul>
<b>Skills development</b>	<ul style="list-style-type: none"> <li>• Support for adult and functional literacy programmes</li> <li>• Skills training</li> <li>• Training in entrepreneurship and marketing</li> </ul>
<b>Procurement support for SMMEs/ informal sector</b>	<ul style="list-style-type: none"> <li>• Preferential procurement for SMMEs and for BEE companies</li> <li>• Promotion of procurement opportunities for informal businesses</li> <li>• Encouraging large business to source locally including from SMMEs and informal sector</li> </ul>
<b>SMME/informal sector support</b>	<ul style="list-style-type: none"> <li>• Subsidised business advice</li> <li>• Support for collective marketing processes</li> <li>• Subsidised support for market research, tenders, export</li> <li>• Support for SMMEs (BEE or not), requiring progress to BEE standards, at least for employment and skills development</li> <li>• Support for collective organisations of informal traders to interact with authorities</li> <li>• Support for agriculture and land reform processes including commonages</li> <li>• Support for cooperatives, particularly service and marketing cooperatives<sup>3</sup>, as well as credit unions</li> <li>• Promotion of accessible and fair microfinance schemes</li> </ul>
<b>Livelihoods support</b>	<ul style="list-style-type: none"> <li>• Improving access to cash transfers such as social grants</li> <li>• Support for agriculture for food security and incomes in both rural and urban areas</li> <li>• Promotion of periodic markets</li> <li>• Promotion of community-based service mechanisms, eg for waste, home-based care etc</li> <li>• Assessing which municipal services could be delivered or supported using community-based or SMME mechanisms</li> <li>• Capacity-building support for CBOs</li> </ul>
<b>Sectoral development</b>	<ul style="list-style-type: none"> <li>• Promotion of sectors based on local knowledge, skills and environment eg agriculture, agri-processing, culture and tourism</li> </ul>
<b>Special employment schemes</b>	<ul style="list-style-type: none"> <li>• Subsidies for specific groups, eg disabled, youth to be employed or on learner-ships</li> </ul>
<b>Special development zones</b>	<ul style="list-style-type: none"> <li>• Particular incentives in development zones for labour-based industries, for employment or training</li> </ul>
<b>Research and information supply</b>	<ul style="list-style-type: none"> <li>• Analysing informal sector</li> <li>• Assessing livelihoods – baseline and regular evaluations</li> <li>• Undertaking participatory planning processes to obtain views of disadvantaged people on priorities and strategies</li> <li>• Assessing potential economic opportunities in disadvantaged areas, eg using PACA methodology</li> </ul>

<sup>3</sup> Secondary and marketing cooperatives have a much higher success rate than production cooperatives which have a dismal record

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 **Acknowledgements** 

This briefing was written by Dr Ian Goldman, Khanya-aicdd, Professor Etienne Nel, Rhodes University and Professor Chris Rogerson, University of Witwatersrand. A full copy of the study is available from [www.khanya-aicdd.org/led](http://www.khanya-aicdd.org/led)

